S. HRG. 99-599

NOMINATION OF MICHAEL A. SAMUELS

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-NINTH CONGRESS

SECOND SESSION

ON

NOMINATION OF
MICHAEL A. SAMUELS TO BE DEPUTY U.S. TRADE REPRESENTATIVE

FEBRUARY 4, 1986

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NOMINATION OF MICHAEL A. SAMUELS TO BE DEPUTY U.S. TRADE REPRESENTATIVE

TUESDAY, FEBRUARY 4, 1986

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The committee met, pursuant to notice, at 9:10 a.m., in room SD-215, Dirksen Senate Office Building, Hon. John C. Danforth presiding.

Present: Senators Packwood, Danforth, Chafee, Heinz, Durenberger, Grassley, Long, and Baucus.

[The press release announcing the hearing follows:]

[Press Release No. 86-005]

FINANCE COMMITTEE TO REVIEW NOMINATION OF DEPUTY USTR SAMUELS

The Senate Committee on Finance will review the nomination of Michael A. Samuels as Deputy United States Trade Representative at a hearing February 4, Chairman Bob Packwood (R-Oregon) announced today.

Senator Packwood said the nomination hearing is scheduled to begin at 9 a.m., Tuesday, February 4, 1986, in Room SD-215 of the Dirksen Senate Office Building in Washington.

The Samuels hearing will immediately precede a previously-announced Committee on Finance hearing on tax reform.

Senator Packwood said Senator John C. Danforth (R-Missouri), Chairman of the International Trade Subcommittee, would preside at the Samuels hearing.

Mr. Samuels, 47 and a native of Youngtown, Ohio, is currently vice president, international, for the Chamber of Commerce of the United States in Washington. He also holds the title of vice president and executive director of the Center for International Private Enterprise in Washington.

He was U.S. Ambassador to Sierra Leone between 1975 and 1977. He earned a bachelor's degree at Yale College and master's and doctoral degrees from Columbia University.

The Office of the United States Trade Representative has three deputies and Mr. Samuels has been nominated to the Deputy USTR post in Geneva, Switzerland.

Senator DANFORTH. This is a hearing to consider the nomination of Michael A. Samuels to be Deputy U.S. Trade Representative. I am delighted that Senator Heinz is on the other side of the table today. I wish I had a list of questions for you, Senator. [Laughter.]

I am sure you would have some comments.

Senator HEINZ. Is the fifth amendment valid?

Mr. Chairman, you may legitimately wonder why, when Mr. Samuels claims as his place of birth Youngstown, OH, that a Senator from Pennsylvania is introducing him. There are several possible reasons for this. One, Youngstown has been inadvertently annexed by Pennsylvania, or vice versa.

Given the problems in our steel industry, there is much that they share in common: unemployment, depression; but this is not the reason.

A second possibility is that Mr. Samuels has no political friends, and I was the best he could do. This is not the reason. In fact, I am here because Mike Samuels is a very close friend and because the Congress, probably with some wisdom, has never given two Senators to the District of Columbia, thereby somewhat limiting his flexibility in who he chooses to be represented by on an occasion such as this.

Mike Samuels is somebody I have known longer than anybody in this room. We went to Yale University together. We were classmates. As I mentioned, we really come from a very similar part of the country. Youngstown is a hop, step, and a jump away from Pittsburgh, both steel towns.

He has a lot in common with my wife. He is fluent in Portuguese; he is an African specialist. My wife, of course, was born in Mozambique. He has a lot of very interesting qualifications in his background, but I suppose what is most important to the members of this committee is his professional career. I would call him a three-letter man in terms of his professional background!

As a diplomat, he spent 7½ years with the State Department, concluding as Ambassador to Sierra Leone; as an academic, he has worked at Georgetown Center for Strategic and International Studies, where he was primarily involved with Third World countries; indeed, he was Director of Third World studies.

Most recently, in his third career, he has gotten involved with the private sector. He works currently at the chamber of commerce where he is vice president international; and that makes him the chamber's senior spokesman on international economic policy. Indeed, he has testified before this subcommittee in the past.

Now, those are his qualifications; but it is really his list of accomplishments that are most relevant. The position for which he is being considered, Deputy U.S. Trade Representative, on assignment to our mission in Geneva, is one that will involve him deeply in the workings of the GATT and the other international economic agencies headquartered abroad in Geneva.

He is highly regarded by the individuals—diplomats, trade specialists—from the less developed countries; and he has been intimately involved in negotiations before. To the extent we are successful in initiating a new GATT round, a follow-on round—he will be deeply involved in that; and he has the experience to make a success of it.

He also has experience first-hand, both by practice and by birth, with the kinds of industries that are often most impacted by international trade agreements, many of them headquartered or prevalent in areas like Youngstown and Pittsburgh. He is familiar with a broad variety of industries. Indeed, he could not help but be familiar with them in his work in the chamber if he wasn't already; and I know that he well understands the pressures on hard-pressed sectors, often manufacturing sectors, and will keep those in mind in his negotiations.

Finally, and this is most important, I think, Mr. Chairman, to you and to our colleagues, he is well aware of the need for close

Congressional involvement at every step of the way in negotiations. USTR traditionally has been looked to as being our on-going link with members of Congress. And Mike Samuels understands those linkages. He understands the essentiality of congressional support for any new round, and all these things, in my judgment, Mr. Chairman, make him superbly well qualified for the mission that he seeks to undertake and for the position to which the President has nominated him.

I urge his swift and speedy confirmation by this committee and our colleagues in the Senate.

Senator DANFORTH. Thank you very much. Mr. Samuels, do you have any comments?

STATEMENT OF MICHAEL A. SAMUELS, NOMINEE TO BE DEPUTY U.S. TRADE REPRESENTATIVE

Dr. SAMUELS. Thank you, Mr. Chairman. If you don't mind, I have just a few brief comments.

And thank you very much, Senator Heinz, for those flattering comments.

Mr. Chairman, it is an honor to have been appointed by the President to this position, and it is an honor to appear before this committee. The task to which I have been nominated is one that I consider of the highest importance. Expanded international trade is a necessity. It is necessary for economic growth in all countries, but especially for the economic growth of this country. Open markets are a goal that will benefit all. Expanding the areas of international trade on which there are international agreements is of the highest priority. Expanding the standards of fairness is essential. The U.S. market is sought after, but we need reciprocal access, and the world must understand this.

In my opinion, Mr. Chairman, the world is at an historical moment. Either we expand markets and improve and extend the rules of international trade, or we risk serious protectionism. Political forces would override economic interests. This should be avoided. I am fully aware that the GATT is not perfect, but I do believe that the GATT is where this history will take place.

I believe that the President is determined to move the trading system forward. I am looking forward to representing our country in this process, and I assure you, Mr. Chairman, that we shall consult closely with this committee throughout the process.

Thank you very much.

Senator DANFORTH. Mr. Samuels, thank you very much.

[The biographical information for Mr. Samuels and a letter from the Office of Government Ethics follows:]

A. BIOGRAPHICAL

1. NAME:

Michael A. Samuels

2. ADDRESS:

2713 Woodley Place, N.W.
Washington, D.C. 20008

3. DATE AND PLACE OF BIRTH:

April 4, 1939 in Youngstown, Ohio

4. MARITAL STATUS:

Married, one child; Wife - Susan Hassman Samuels

5. NAMES AND AGES OF CHILDREN:

Joel Hassman Samuels - 13 years old

6. EDUCATION:

Teachers College, Columbia University	1961-62, M.A., 1962 1964-68, Ph.D., 1969
London (England) University Institute of Education	1962
Yale College, New Haven, Connecticut	1957-61, A.B., 1961
Rayen High School, Youngstown, Ohio	1953-1957

7. EMPLOYMENT RECORD:

Present Positions:

Vice President, International
Chamber of Commerce of the United States
1615 H Street, N.W.
Washington, D.C. 20062
(from May 1981 to present)

Vice President and Executive Director
Center for International Private Enterprise
1511 K Street, N.W.
Washington, D.C. 20005
(from April 1984 to present)

Previous Positions:

6/77-4/81	Executive Director for Third World Studies Center for Strategic and International Studies (CSIS) Georgetown University 1800 K Street, N.W. Washington, D.C.
11/80-12/80	Team Leader, International Trade Commission, for the Transition of President-Elect Ronald Reagan.
1/75-6/77	U.S. Ambassador to Sierra Leone c/o State Department
10/74-12/74	Staff Member, Policy Planning Staff, State Department
7/74-10/74	Executive Assistant to Deputy Secretary of State Robert Ingersoll.
5/74-7/74	Staff Assistant to the President, serving as Executive Assistant to Counsellor to the President for Economic Policy, Kenneth Rush. The White House.
1/73-5/74	Executive Assistant to Deputy Secretary of State Kenneth Rush.
10/70-1/73	Legislative Management Officer, State Department.
6/68-10/70	Senior Staff Member, CSIS, Georgetown University
Fall 1965-Spring 1966	Research Assistant, English Department, Teachers College, Columbia University, New York, New York
Summer 1963-Fall 1964	Teacher and Supervisor, Peace Corps Training for Nigeria, New York, New York
June 1962-June 1964	High School English Teacher, Northern Nigeria

8. GOVERNMENT EXPERIENCE:

Other than that listed under my employment record are the following: Member, Carlucci Commission on Security and Economic Assistance.

9. MEMBERSHIPS:

Center for Strategic and International Studies, Georgetown Unviersity, Member of Advisory Board.

Council on Foreign Relations.

Karl F. Landegger Program in Business Diplomacy, School of Foreign Service, Georgetown University, Member of Board of Advisors.

Peace Corps' Twenty-Fifth Aniversary Foundation, Member Board of Directors

International Club of Washington, Member

OEF International, Member of Board of Directors.

National Chamber Foundation, Member of the Board of Directors.

St. Patrick's Episcopal Elementary School, Member of the Board of Trustees,

Youth for Understanding, Member of Board of Directors and Executive Committee.

10. POLITICAL AFFILIATIONS AND ACTIVITIES:

Services: Member: International Trade Advisory Committee, Reagan-for-President Campaign
Financial contributions:
1979 - Emerson for Congress Committee-$20.

11. HONORS AND AWARDS:

Afro-Anglo-American Fellowship - 1961-1962
Institute for International Studies (Teacher College, Columbia University) Fellowship - 1966-1967

12. PUBLISHED WRITINGS:

Books and Monographs

World Trade Competition: Western Countries and Third World Markets, co-editor (New York: Praeger, 1981)

Africa and the West, editor. (Boulder: Westview Press, 1980).

Decline of U.S. Export Competitiveness, co-author (Washington: Center for Strategic and International Studies, 1979 FOB Series No. 13.

Implications of Soviet and Cuban Activities in Africa for U.S. Policy, co-author. (Washington: Center for Strategic and International Studies, 1979).

The Horn of Africa, Editor. Special Supplement to The Washington Review of Strategic and International Studies, 1978.

Reports on Nigeria, Zaire, Egypt, Morocco and Algeria, either author or co-author. (Washington: Center for Strategic and International Studies, 1978).

Education in Angola, 1978-1914: A History of Culture Transfer and Administration (New York: Teachers College Press, 1970) [Revised Ph.D. dissertation].

The Nigeria-Biafra Conflict, editor. (Washington: Center for Strategic and International Studies, 1969).

Portuguese Africa: A Handbook, co-editor and co-author with David Abshire. (New York: Frederick A. Praeger, 1969)

Articles and Chapters

"A National Coalition for Trade," Business America, March 19, 1984

"The Role of Business in Political-Economic Development Abroad," Commonsense, Volume VI, No. 1, 1983

"Promoting Democracy Abroad," The Washington Quarterly, Spring 1981.

"Lisbon: Shifting Coalitions," The Washington Quarterly, Summer 1980

"Why America Loses Business," Leaders, July, August, September, 1980, Volume 3, Number 3.

"The Anderson Plan: An American Attempt to Seduce Portugal out of Africa," Orbis, Fall 1979.

"Nigeria," Washington Review of Strategic and International Studies, Volume 1, Number 2, Spring 1978.

"A Failure of Hope: Education and Changing Opportunities in Angola under the Portuguese Republic," in Ronald H. Chilcote, ed., Protest and Resistance in Angola and Brazil: Comparative Essays (Berkeley: University of California Press, 1971)"The FRELIMO School System," Africa Today, Volume 18, Number 3, July 1971.

"Facing Some Southern African Realities," Interplay, Volume 3, Number 13, November 1970.

"Early M.E.C. Missionaries to Angola: Educational Theory and Practice," Luso-Brazilian Review, VII, Number 1, Spring 1970.

"Angola," Encyclopedia Britannica, Revised Edition, 1969.

"Cape Verde Islands," Encyclopedia Britannica, Revised Edition 1969.

"Portuguese Africa," Encyclopedia of Education, MacMillan Company, 1969.

United States of America
Office of Government Ethics

Office of Personnel Management
P.O. Box 14108
Washington, D.C. 20044

FEB 3 1986

Honorable Robert Packwood
Chairman, Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Michael A. Samuels, who has been nominated by President Reagan for the position of Deputy United States Trade Representative (Geneva), with the rank of Ambassador.

We have reviewed the report and have also obtained advice from the Office of the United States Trade Representative concerning any possible conflict in light of the Office's functions and the nominee's proposed duties.

Since filing his financial disclosure report, Mr. Samuels has sold all of his shares in Dynalectron, Eastman Kodak, B. F. Goodrich, International Harvester, and Pan Am. We have been advised that, upon Mr. Samuel's confirmation, Ambassador Yeutter will grant Mr. Samuels a waiver under 18 U.S.C.§ 208(b)(1) to cover all remaining financial interests that have a value of $50,000 or less, in matters involving broad policy issues or those having a specific industry-wide effect. The waiver will not extend to particular matters specifically involving his interests or those of his spouse or minor children. Should any such matter arise, Ambassador Yeutter will make an additional waiver determination at that time.

Based on the foregoing representations, we believe that Mr. Samuels will be in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

David H. Martin
Director

Enclosure

Senator DANFORTH. The committee has reviewed the financial disclosure material that you have submitted. A letter from the Director of the Office of Government Ethics, signifying that your compliance with the Ethics in Government Act will be made part of the hearing record.

I take it that, when the administration spoke to you about this job, the representation to you was that your responsibility would be for negotiating a new round of multilateral trade negotiations?

Dr. SAMUELS. Among other things, Senator. Should it be finally determined that there will be a new trade round, that would be included in my responsibilities. Yes, sir.

Senator DANFORTH. Has that been finally determined, in your opinion?

Dr. SAMUELS. I think that most things seem to be moving in that direction. I don't think the final period is in, but I think that everyone assumes that that is the direction in which the GATT system will be moving.

Senator DANFORTH. Would the administration proceed with those negotiations without fast-track authority provided by Congress? It expires in January 1988.

Dr. SAMUELS. I think the administration is fully aware that, in order to conclude any kind of negotiation, it would have to have congressional authority and would, in the context of reaching that stage, be in very close contact with this committee and seek such authority.

Senator DANFORTH. I would think it would be a little bit "iffy" to begin negotiations without congressional authority.

Dr. SAMUELS. Of course, we are still in the preliminary stage, Senator. At the present time, there is an on-going preliminary group called the Preparatory Committee, and it is preparing the groundwork, should there be a decision by the trade ministers in September, for such a negotiation.

Senator DANFORTH. What are your thoughts about the dispute settlement system and how that could be improved in a new round?

Dr. SAMUELS. One of the inadequacies of the GATT agreement is that the settlement system has not proved to be adequate, in our opnion. How one negotiates an improved dispute settlement system will not be among the easiest, but clearly among one of the more important of the tasks that, I should think, would be included in the new round. Making a dispute settlement system more effective would require all signatories to give up a certain degree of autonomy. The extent to which that is possible is part of that negotiating process; and the extent to which you and the Congress are prepared to cede some of that authority to an international body is, I think, yet to be determined. Yet, it is something that I think all of us feel would make the system more effective.

Senator DANFORTH. Senator Baucus.

Senator BAUCUS. Thank you, Mr. Chairman. Dr. Samuels, I would like to follow up on this point made by Senator Danforth. To what degree do you think the United States should be willing to abide by the agreement of some dispute settlement forum, whether it is a quasijudicial organization or whatever it might be? Do you think, in order to get a dispute settlement mechanism that works,

the United States would be willing to state flat out that it will agree to abide by the findings of the forum, whatever that forum might be?

Dr. SAMUELS. I personally think so, Senator. But the extent to which all who have responsibility for trade policy think so, and therefore the extent to which my instructions are to produce that is yet to be determined.

Senator BAUCUS. In the preliminary negotiations—there were some negotiations, I believe, in San Diego recently—did this Government make that representation?

Dr. SAMUELS. Senator, I was not present in those discussions, so I don't know the answer to that question.

Senator BAUCUS. But you are——

Dr. SAMUELS. It was clear that that matter was on the agenda for those discussions; and it is clear that it is a matter of high priority to the United States to strengthen the dispute settlement mechanism. Yes.

Senator BAUCUS. How can the United States, in good faith, make that representation when the United States withdrew from the World Accord at The Hague in the Nicaragua matter?

Dr. SAMUELS. I don't know that there is necessarily a parallel, Senator. The trade rules might even be more easily quantifiable than those of justice. I am not a lawyer, so I don't really know how to deal with that question.

Senator BAUCUS. I am just trying to make the point here that this is a very, very difficult matter; and I don't think it is quite as easy as you say. That is, you say that, willy-nilly, the United States will automatically agree to any determination made by a legitimate forum of a legitimate dispute settlement mechanism, and I just suggest that this can be very, very difficult to put together. And it is going to take a very sophisticated, intelligent, imaginative effort if this is going to work, I think. Otherwise, it is just a lot of talk and not really much action.

As you know, the present GATT dispute settlement mechanism doesn't work at all. It is just kind of a concensus agreement; if countries want to abide by it, they do; and if they don't they don't.

Dr. SAMUELS. That only leaves room for improvement, Senator.

Senator BAUCUS. It does; but I just hope we hear from you in the future a little more imaginative advice as to what this Government can and cannot do to reach that goal.

The second area I would like to talk about briefly is natural resource subsidies. It is my hope that when the administration does negotiate a new GATT round that natural resource subsidies are included in the bipartisan Senate trade bill that many of us here have introduced. Do you have any thoughts about that? Can you give us some assurances that the administration wil push aggressively to include natural resource subsidy provisions in any new GATT rounds?

Dr. SAMUELS. Senator, it is the United States that has been most active in trying to encourage that natural resources subsidies be included in the next GATT round. We have already begun that. We have already been consulting with other contracting parties to the GATT to try to get them to view natural resources subsidies as a

matter that is worthy of being included in the next round; and we shall continue pursuing that, Senator.

Senator BAUCUS. Finally, as you know, GATT was successful in reducing tariff barriers around the world; but countries have been very industrious and diligent in erecting nontariff trade barriers. I wonder if you could, for me, right now this morning, indicate which nontariff barriers you think are the most disruptive to world trade and how you think the United States should approach in reducing those nontariff trade barriers?

Dr. SAMUELS. Senator, the list is relatively long, and that is why this is such an important moment for a constructive, far reaching, new agreement after a new trade round. They include such questions as treatment of intellectual property, trade-related investment rules, the dispute settlement mechanism, the question of export subsidies in agriculture, the issue of adjustment programs for trade affected industries, the natural resources subsidy, as we have discussed and others. Senator, these are all items that we believe justifiably should lend themselves to an expanded GATT agreement.

Senator BAUCUS. Thank you, Dr. Samuels. I frankly don't like to be critical, but I like to approach these trade matters on a bipartisan basis. I just hope that you will urge the administration to develop a trade policy, and one that is much more aggressive than we now have. In fact, I don't think this country really does have a trade policy; and we are willy-nilly wandering about in the wilderness while we let other countries take advantage of us, particularly the Asian rim export-drive economies which have very much taken advantage of us.

I just urge you very strongly to be extremely aggressive in urging this administration to be much more aggressive, and I hope that when we see you next time, you will be in a position to report very definite action that this administration is taking. Thank you.

Senator DANFORTH. Senator Long.

Senator LONG. Dr. Samuels, if I were in your shoes and someone asked me about the enormous trade deficit that the United States has and all the advantages that the other people have over us, I think I would start out by just telling people: I didn't make this world; I didn't create this. I was just born here, and I am just doing what I can with a difficult situation; and I am trying to improve on what we have.

But I think there are certain things about our trade policies that cannot be defended from the point of view of commonsense. Now, just to be more specific, it appears to me that our policy at this time is one-way free trade. It is free trade for the other fellow in our markets. It is not free trade for us into the other guy's market. This program was sold to the American people on the idea that there was going to be reciprocity. And I noted that there are some on this committee who suggested there ought to be reciprocity. You ought to treat the other fellow the way he is treating you. Not with the Golden Rule on a one-way street, such as one-way free trade; but it ought to be reciprocal. Our Japanese friends were quick to denounce that, and a part of the administration agreed with them—that reciprocity is out; that free trade precludes reciprocity.

Now, we are told that those who have the competitive advantage ought to have the market. So, we see our tax system, which is a comparative advantage for the other guy—I am sure you know what I am talking about, don't you?—in other words, they use value-added taxes and consumption taxes and they rebate that on their exports, and then they have a border tax to meet us when we come to their market. So, our tax system compared to theirs is just a great big advantage for the other fellow.

Our wages—minimum wages—that works out to a great big competitive advantage for the other fellow. Would you agree with that?

Dr. SAMUELS. In some cases. In several cases of less developed countries, in particular, the differential wage rates are a comparative advantage. Yes; on the other hand, the high productivity on our side is a comparative advantage on our part.

Senator LONG. I have heard good economists explain it somewhat different than that. There was a time when we had enough technical edge—had better machinery and better methods—to where we could offset the fact that our wages might be anywhere from 3 to 10 times what their wage would be, or maybe 20 times what their wage might be.

When we went to work, at our expense in many cases, exporting our methods and exporting our machinery, even in the research area—I am told that the American countries have a way of going over there, to the Asian rim, for example, and licensing the product of our research for a pittance compared to what it costs to acquire all that information. That technical edge doesn't mean much any more. Would you agree with that or not?

Dr. SAMUELS. Senator, clearly, the whole question of intellectual property that you are getting into and the question of requirements of some countries to have certain performance requirements for investment are matters that are trade-distorting things that need to be looked at in the GATT.

Senator LONG. What concerns me and some others is that we see our people confronted with dumping practices which violate the rules and are hurting us very badly and costing us lots of jobs; subsidies by foreign countries which our country has nothing to offset; discriminatory pricing; just to mention some of the key items. And our Government is doing nothing to offset all that.

I would just like to know: do you believe in one-way free trade? Do you think that is good for our country?

Dr. SAMUELS. Absolutely not, Senator, and I don't think that this administration does either. I believe that the administration believes in free and fair trade; and fair trade involves not allowing countries to pursue unilaterally subsidized activities and a variety of other economic activities that prejudice our own economic interests.

I believe that I will be entering into my responsibilites, if confirmed by the Senate, with the view that we do not have one-way free trade.

Senator LONG. The impression I have gained as a Member of the Senate and as a member of this committee is that any time the Congress tries to do something about the so-called fair trade concept, such as enforcing those textile agreements—enforce what those agreements were intended to mean—we hear shouts of

bloody murder. And again, the advocates of so-called free trade want it to be one-way free trade, without them according us the same considerations that we accord them. I just want to know if you favor that?

Dr. SAMUELS. I do not favor that, Senator.

Senator LONG. Thank you.

Senator DANFORTH. Senator Heinz.

Senator HEINZ. Mr. Chairman, thank you. Mike, one of the classic problems that we run into in international trade is that when we have a new round, such as the Tokyo round, in order to get international agreement to the various elements designed to strengthen the trading system—the subsidies code, the antidumping code, codes of good behavior and conduct which, as written, are very appealing statements of principle—we have to concede market access. We typically trade duty reductions or make other market-opening promises in order to get those kinds of agreements. What then seems to happen too frequently is we perform on our agreements; and others do one of two things: in terms of the opening their markets, they will put through the reciprocal tariff cuts, but impose nontariff barriers, so that sometimes we are worse off than we were before in terms of market access; or notwithstanding having signed a subsidies code that clearly says subsidies are bad—they are bad for export and they are also bad as a matter of domestic policy—even developed countries will keep right on subsidizing.

Of course, we don't subsidize to any significant extent in this country, although we are being driven more and more to it; and I am thinking particularly of the recent farm bill, which is an uncomfortably large step towards emulating the European Common Agricultural Policy. Agriculture and steel are two examples of European noncompliance with the spirit of the Tokyo round. How can we avoid just being suckered again in some round that you may initiate? How can we make sure that any agreements that we enter into are lived up to, or is the way we go about negotiating—what we negotiate for and what we give up—inherently flawed? Or, is there no real answer to these questions that should be looked at with any confidence?

Dr. SAMUELS. Senator, the next round will be an attempt to significantly expand the range of rules; and it does not need to be looked at as a tit-for-tat situation. I am not so sure that it will be looked at that way. In any case, now that we have lowered the tariff barriers as much as we have, all of a sudden all those nontariff warts have become much more obvious to us all. And now we can identify those nontariff barriers, and we can see the extent to which they mar our trading interests. I don't think that we would enter this new trade round with an expectation that we would come out second best.

Senator HEINZ. What we are going to do about trying to get what we had thought we were going to get out of the last trade round?

Dr. SAMUELS. That is a continuing matter as well. We will continue at that. Should there not be a trade round, that would be the major part of the job in Geneva.

Senator HEINZ. Let's bring it down to cases. Since 1978, the commissioners of the European community, and particularly Mr. Davignon, have been saying: Just give us 2 more years; we will elimi-

nate steel subsidies. We will adjust our plan; it is well under way. The last time that same promise was made was 1984, and still there are massive subsidies for European steel. How do we get that to end?

Dr. SAMUELS. As you know, there have been an expanded number of agreements and negotiations with the Europeans on the question of steel. And most recently, there appear to be a series of reciprocal reactions to steel entry into this market. This week Ambassador Yeutter made a very firm statement on the subject of the need to retaliate against the Europeans. I think we have a very strong commitment on the part of Ambassador Yeutter to make sure that our steel interests don't suffer in the context of European policies—primarily, a bilateral discussion between the EEC and ourselves rather than in multilateral form today.

Senator HEINZ. I am not so much talking about VRA's with the Common Market. I am talking about the fact that it is against the agreement—the spirit, and arguably the letter of the agreement—signed in the Tokyo round. And people tend to overlook it for the newly industrializing or less developed countries, and while they may be mistaken in doing that, nobody in my judgment should accede willingly and acquiesce in a policy of massive study. Whether or not it hurts us, it is bad for the world and it tends to perpetuate overcapacity in particular industries. And what you are saying is that we are going to continue to talk about it?

Dr. SAMUELS. The goal is to try and reduce the role of subsidy in economic policy. That is what we will be pursuing.

Senator HEINZ. Mr. Chairman, I won't take the committee's time with other questions. I sympathize with Ambassador Samuels taking on his task. He doesn't give me any more encouragement than any of this predecessors have given me, and I don't fault him personally for that. I think there are some inherent flaws in the system; and that is a subject for another occasion.

Senator DANFORTH. Dr. Samuels, thank you very much. I think you have gathered from the questions that this subject is one of intense concern for members of the Finance Committee and, indeed, I think for all Members of Congress and a growing number of people in the country. Your activities in Geneva will be very closely watched with great interest by all of us. We are impressed with your credentials, your knowledge of the area.

I congratulate you on this nomination.

Dr. SAMUELS. Thank you very much, Senator.

Senator DANFORTH. Thank you, sir.

[Whereupon, at 9:43 a.m., the hearing was adjourned.]

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